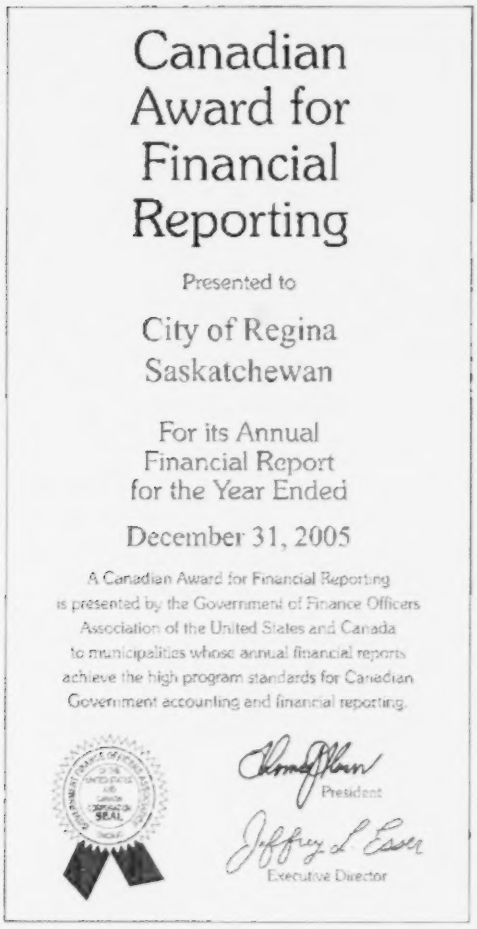
2006 Annual Financial Report

Year Ended December 31, 2006

City of Regina
Saskatchewan, Canada

2006 Financial Report

Year Ended December 31, 2006



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the Corporation of the City of Regina for its annual financial report for the fiscal year ending December 31, 2005. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and provide peer recognition and technical guidance for officials preparing these reports.

In order to receive the Canadian Award for Financial Reporting, a municipal government must publish an easily readable and efficiently organized annual financial report. The contents of the report must conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to GFOA.

This is the fourteenth time the City of Regina has received an award for its Annual Financial Report.

The 2006 Annual Report for the City of Regina was prepared by the Finance Department, with contributions from all City Departments and related organizations.

City of Regina, Saskatchewan, Canada

www.regina.ca

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Introduction

June 5, 2007

His Worship, the Mayor
And Members of City Council

I am pleased to submit the City of Regina's Annual Financial Report for the year ended December 31, 2006. The Annual Financial Report is submitted pursuant to Section 155 of *The Cities Act*. The financial report includes consolidated financial statements for the City of Regina reporting entity as required by the Public Sector Accounting Standards Board (PSAB). The purpose of this report is to provide financial, statistical and other information about the City of Regina and related entities to allow readers to gain an understanding of the City and the resources available to the City.

The Annual Financial Report consists of the following sections:

- The introduction familiarizes readers with the history of Regina, the political and organizational structure of the City, and the nature and scope of the services provided by the City.
- The Financial Statement Discussion and Analysis section provides additional explanation and trend analysis to provide a broader understanding of the financial statements.
- The financial section includes the Consolidated Financial Statements.

The preparation and presentation of the financial statements and related information contained in this annual report is the responsibility of management of the City of Regina. The statements have been prepared on a basis consistent with the recommendations of PSAB. Included in the consolidated financial statements are those entities that are accountable to and owned or controlled by the City of Regina. These entities include: Regina Public Library, Regina Pioneer Village, Regina Regional Economic Development Authority, Buffalo Pound Water Administration Board, Regina Downtown Business Improvement District and Regina's Old Warehouse Business Improvement District.

City Council appointed the accounting firm of Deloitte & Touche, LLP to perform an independent audit of the City's 2006 financial statements, and their report is included herein. The accuracy and reliability of the financial information is ensured by the City's system of internal controls. The Finance and Administration Committee reviews the external auditor's audit plan, and ensures corrective action is taken for weaknesses identified in the City's internal control system.

As noted, the consolidated financial statements include information on the City's financial position and operating results, along with those of several related entities. The City's operations are typically segmented (General Operating, General Capital, and Utility Operating and Capital) for budgeting and reporting purposes. For the purpose of the consolidated financial statements, the financial position and results of all the segments are brought together. Based on the consolidated information, the following points are noted for 2006:

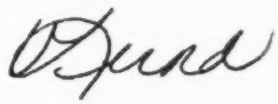
The City (consolidated entity) has net assets of about $10.4 million at the end of 2006, an improvement of $19.4 from a net liability position of $9.0 at the end of 2005.

- Total revenues in 2006 were $304.0 million, an increase of about $25.0 million from 2005.
- Total expenditures in 2006 were $284.9 million, an increase of about $18.8 million from 2005.

The planning, development and monitoring of the annual operating and capital budgets is a fundamental component of the City's financial administration. For 2006, the City's General Operating Fund ended the year with an operating surplus of approximately $2.7 million. The surplus is determined on a basis consistent with the presentation of the 2006 General Operating Budget and is prior to consolidation and application of the PSAB standards.

The City's achievements in providing accurate and articulate financial statements were recognized by the Government Finance Officers Association of the United States and Canada (GFOA) for the 14th consecutive year. GFOA awarded a Canadian Award for Financial Reporting to the City of Regina for its annual financial report for the fiscal year ended December 31, 2005. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports. In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

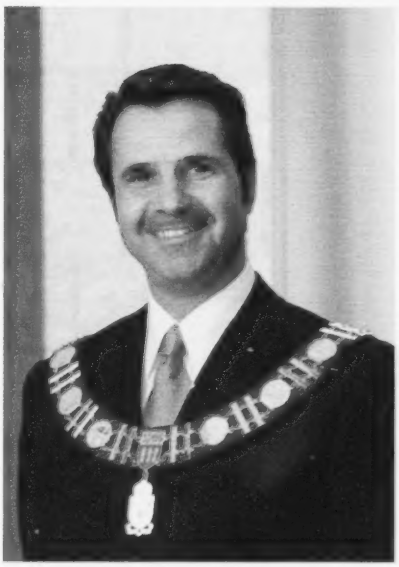
Respectfully submitted,



Vivian Lund, CA
Acting Director of Finance

Message from the Mayor

Dear Regina Citizens:



Once again Regina was on the national stage in 2006. We experienced exciting changes with the renaming of IPSCO Place and Mosaic Stadium. We welcomed a former U.S. President and our own Governor General. We hosted curling at its best with the Tim Horton's Brier, and rock and roll at its best with two record-breaking Rolling Stones concerts.

2006 was a year of new places and new faces in the downtown with the construction of the Wingate Inn and STC getting under way, and renovations to make way for Service Canada, the Renaissance Retirement Residence, and Century Plaza. Construction boomed all across the city with infill, commercial, institutional and residential construction. Building permits reached an all-time high and unemployment in the trades hit an all-time low.

Regina was proud to welcome Governor General Michaelle Jean during her first visit to Saskatchewan. After a walking tour of inner city housing projects, the Governor General was greeted by more than 500 Reginans at the North Central Family Centre for a neighbourhood barbecue. It's safe to say Her Excellency was overwhelmed by Regina's hospitality.

2006 saw the City of Regina turn in a new direction with the hiring of new City Manager Glen Davies and his vision for the City to be recognized as the best run municipality in Canada. And Regina City Council welcomed three new members after October's election. I'm excited about moving forward in our vision to build a corporation more focused on customer service, asset management and being a contemporary employer.

It is important to live in a city where you feel safe in your homes, neighbourhood and all parts of the city. Last year, we had the highest reduction in crime in Western Canada, and the second highest in Canada. Reducing crime is a long-term process – it doesn't happen over night. We've made positive progress, but we have more work to do. Reducing crime will continue to be a high priority.

IPSCO Place unveiled its ambitious redevelopment plan. If we are to continue to host first-class events, Regina must have first-class facilities. Our vision is for IPSCO Place to be a centre of excellence for agri-business, sport, and entertainment.

All statistics show that Regina's economy is strong – GDP is on the rise; unemployment continues to be among the lowest in Canada; housing starts, sales and prices are all up; and building permits hit record highs. Our economy is on a roll and the momentum is expected to continue.

There has never been a better time to live, work, learn and play in Regina. Your City Council will continue to promote Regina as Canada's Greatest City!

Yours truly,

Pat Fiacco
Mayor

City of Regina Overview

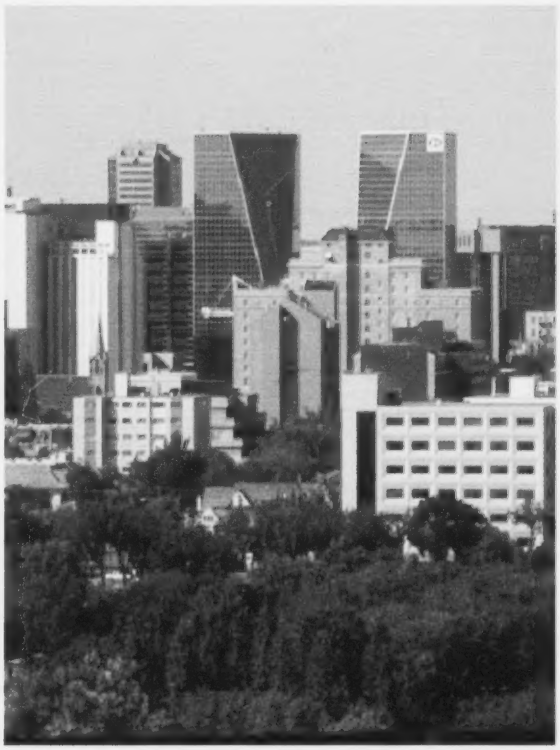
In 2006, Regina enjoyed rejuvenated infrastructure, a growing economy, record housing sales, major residential and commercial construction, downtown revitalization, a booming knowledge corridor, abundant partnerships with First Nations and Métis communities, momentous civic pride, strong services, and a shift in the City's corporate municipal management and organization. With new members on City Council, the City of Regina continues to build on its strong foundation to reach its Vision as a city:

Imagine Regina 2020

Canada's most...
Vibrant, Inclusive, Attractive, Sustainable Community...
Where people live in harmony
And thrive in opportunity...

Our Growing Economy...

- In 2006, Regina rejuvenated infrastructure; revitalized its downtown and inner city; enhanced relationships with government, community, and business; and forged ahead toward a sustainable future.
- According to the Conference Board of Canada, Regina's economy grew by 2.1 per cent in 2006, and is forecast to grow by 2.4 per cent for both 2007 and 2008.
- Regina's construction activity, real estate sales, and retail sales were all strong in 2006.
- Regina's total employment grew slightly and is expected to grow by 2,000 jobs in 2007. This increase will lift personal income and, in turn, consumer spending.
- The Conference Board expects Regina's economy to continue to grow with annual increases of 2.2 per cent from 2009 to 2011.



Real Estate...

- Regina's real estate market set a 10-year record with an annual sales increase of 8.4 per cent with 2,943 homes sold in 2006. The annual total volume reached an all-time high of $387.9 million up 15.3 per cent from 2005. The average house price increased 6.4 per cent to an all-time high of $131,812.
- Regina remains one of the most affordable housing markets in the country.

Downtown Revitalization...

- More than 25,000 people work in the downtown and nearly 11,000 live within a 10-minute walk of the F.W. Hill Mall.
- Downtown construction topped $53M in 2006 compared to $48M in 2005.
- Planning is underway for a five year revitalization project in conjunction with downtown stakeholders including the Regina Downtown Business Improvement District.
- The Downtown Luminiere project carried out in conjunction with Regina Downtown and SaskPower improved lighting in the downtown area while reducing energy and maintenance costs.

Major Projects and Construction...

- The total value for residential and commercial construction was $277 million surpassing last year's record of $242 million.

Providing a Choice of Housing

- New home construction continues in four subdivisions.
- Four residential subdivisions were approved in 2006.
- Three subdivision applications were under review in 2006.
- Eight major multiple housing projects were approved in 2006.
- Four multiple housing projects are being reviewed.

Commercial Construction

- The value for commercial construction was $158 million compared to $133 million in 2005.

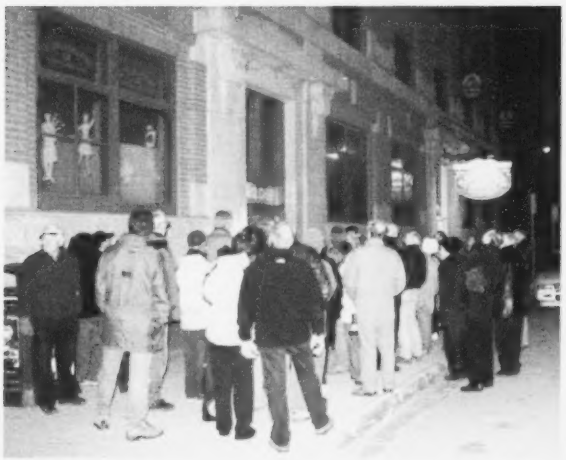
New Places and New Faces

- Construction of the 118-room Wingate Inn is underway and is scheduled to be complete in the fall 2007. The $13M hotel will include a fitness room, breakfast area, executive boardroom, and a national chain restaurant.
- July 2006 saw construction begin on the $19 million Saskatchewan Transportation Corporation (STC) bus depot. The new facility will include a restaurant, ticket & express counters, shipping services, and the head offices of STC. The design exceeds national standards on energy efficiency and will be 100 per cent accessible to people with disabilities.
- Three educational facilities opened including the new Globe Theatre School, the Federal Government's first Service Canada College Campus and the Regina Public Schools Adult Campus. Together these schools will attract approximately 4,000 students to downtown each year.
- 27 new businesses opened in Regina's downtown in 2006.

What Once was Old is New Again

- The former SUMA Building was converted into a new residence.
- The Assiniboia Club recent upgrades include wireless Internet access, video conferencing, and updated meeting, dining & banquet rooms. Crave Kitchen & Wine Bar opened to the public on the main floor.
- Renaissance Retirement Residence – downtown's largest residential complex – welcomed more than 150 new tenants.
- Century Plaza is now home to Harvard Broadcasting, Agean Coast Coffee & Tea, Saskatchewan Property Management, and Farm Credit Canada.
- The new Federal Government Building (former Galleria) opened in the spring of 2006. Of the seven federal agencies occupying the building, four are new to downtown. Service Canada, located on the main floor of the building, now provides services to approximately 2,000 visitors daily.
- Demolition of the former Army & Navy Department Store began in December 2006 to make way for new development.

Regina's Warehouse District



Dynamic cities boast special places to visit and explore. One of Regina's best is the 80-block Warehouse District containing much of the city's nightlife, specialty shops, and unique work and living spaces. Many renovated former warehouses house over 600 businesses. The Dewdney "Strip" has eight night clubs within four blocks, and even more a few blocks away. The latest buzz is the expanding residential condos with the four recent condo developments selling out.

Booming Knowledge Corridor...

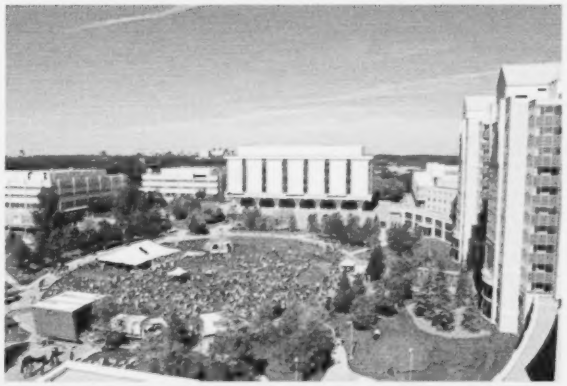
Regina Research Park (RRP)

Supporting an amazing 1,700 full-time jobs and contributing more than $160 million each year to Regina's economy in salaries, goods and services. The Park's total economic contribution to the province is $238 million annually.

- A survey of Regina Research Park tenants shows tenants are optimistic about their companies' outlook – 62 per cent plan to expand either by increasing employees or expanding their space. Tenants are incredibly positive about RRP – 100 per cent say they would recommend RRP.
- Even at 100 per cent occupancy, RRP has strong interest from technology companies wanting to locate there. Detailed design is underway for expansion to meet the demand. Construction is to begin in mid-2007 and take one year.
- The Saskatchewan Disease Control Laboratory (formerly known as the Provincial Lab) is in the detail design stage. Construction will begin in mid-2007 and be complete in 2008.
- Planning began on building Canada's first Net Zero Energy building.
- RRP is constructing new roadways, underground and electrical services and parking to make way for new buildings.

University of Regina

- The University of Regina became the first Canadian institution to win the Outstanding Institutional Achievement Award from the Association of Collegiate Conference and Events Directors – International for its role in staging the 2005 Jeux du Canada Games.
- The University of Regina's International Test Centre for Carbon Dioxide Capture (ITC) launched an international study with the United Kingdom's largest integrated energy company, E.ON UK, to develop cleaner technologies for generating electricity from fossil fuels. This partnership reflects the high quality and international applications of research being done at the University of Regina.
- ITC was recognized for its work with a 2006 Natural Sciences and Engineering Research Council Synergy Award for research that is helping make Canada a world leader in greenhouse gas reduction technology.
- Of the more than 12,000 students enrolled at the University of Regina, approximately 7 per cent are international students who form an increasingly important part of the student body.



- The University introduced a new interdisciplinary bachelor of health studies degree, which includes a special focus on indigenous health needs and is an important destination program to attract future health professionals to the province.
- The U of R was accepted as one of only 11 Canadian universities to participate in ATLAS, the largest collaborative experiment ever undertaken in the physical sciences. More than 1,800 researchers from 35 countries are involved in the Switzerland-based project, which will explore the fundamental nature of matter and the basic forces that shape the universe.
- Construction continued on an addition to the University of Regina Laboratory Building, which will help attract even more top-notch students, professors and research activity to our city. With its completion, the campus will have almost doubled in size over the past decade.

First Nations University of Canada

- This year the First Nations University of Canada celebrated 30 years of providing post-secondary education to both First Nations and non-First Nations students. Enrolment has grown from nine students in a temporary classroom to more than 1,200 in the impressive Douglas Cardinal-designed facility of today. Throughout its history, many students have come from outside of Saskatchewan representing every province and territory.

- New programs and initiatives include: Bachelor of Health Studies (in partnership with the U of R Faculty of Kinesiology and Health Studies & the U of R Faculty of Arts); Certificate of Extended Studies in Aboriginal Education; Certificate of Extended Studies in First Nations Languages; and the newly-created Intercultural Leadership Program.
- The Centre for International Academic Exchange has formalized relationships with universities in mainland China, Taiwan and Australia.

SIAST

- SIAST continues to grow and enhance its role as a leading provider of technical education and skills training in Saskatchewan.
- The 2005/06 academic year saw 3,639 students receive certificates and diplomas.
- The annual SIAST employment survey shows its graduates find jobs at a rate of more than 90 per cent. Of those employed, 92 per cent are working in Saskatchewan.

First Nations and Métis Partnerships...

- The City of Regina continues to build relationships with First Nation and Métis communities in the Regina Region.
- The 2006 Regina Regional Economic Development Authority (RREDA) work plan outlined its goal to continue working with the Aboriginal community to make the Regina Region a centre of First Nation and Métis economic activity in Canada.
- The City of Regina continues to work with Neekaneet First Nation for the designation of an Urban Reserve on an industrial property on McDonald Street.
- The City of Regina recently signed a servicing agreement with the Piapot First Nation, by which the City agrees to the establishment of an Urban Reserve on a commercial property west of Albert Street.

City Council

The powers and duties of the City of Regina are set by the provincial Cities Act.

Regina's municipal government is run by an elected City Council. City Councillors are elected through a ward system with the city divided into 10 wards. The Mayor is elected at large and chairs the Council meetings. Councillors and the Mayor are elected for three-year terms.

Residents are invited to comment on issues at committee meetings of Council or at City Council meetings. As well, they are invited to contact their City Councillor or the Mayor.

The City Manager handles the day-to-day administration of the City, under policies set by City Council.

Top Row (Left to Right):

Mike O'Donnell, Ward 8;
Louis Browne, Ward 1;
Fred Clipsham, Ward 3.

Second Row (Left to Right):

Wade Murray, Ward 6;
Jocelyn Hutchinson, Ward 2;
Terry Hincks, Ward 9.

Centre:
Sharron Bryce, Ward 7.

Third Row (Left to Right):

Michael Fougere, Ward 4;
Jerry Flegel, Ward 10;
Bill Gray, Ward 5.

Front (Centre):

Mayor Pat Fiacco.

City Administration

New City Manager, Glen Davies, has articulated that the goal for Administration is to be recognized as the best run municipal organization in Canada within five years. To do this, the City is building a more strategic organization with a focus on the following three specific initiatives: customer service, asset management and being a contemporary employer.

Five Divisions will form the foundation for the new organizational design and structure: Corporate Services, Asset Management, Urban Planning & Transportation, Community & Protective Services, and Environment & Utilities.

Recruiting for the new executive leadership team began in late 2006. The focus of the new executive team will be primarily policy and strategy. The reorganization process will cascade through the rest of the organization, finishing at the end of the third quarter of 2007.

Key initiatives underway during 2007 that will impact the ability of the municipal corporation to become performance based include:

- combination of reorganization process,
- development of a strategic plan, and the,
- development of a performance management system.

City Services...

Community and Leisure Services

- The City of Regina continued developing a partnership with Ducks Unlimited, who began grassland restoration for the 69-hectare McKell Wascana Conservation Area located just south of Wascana View.
- Planning and community input began for the South Storm Channel Multi-use pathway, marking the beginning of a major new link to the City's pathway system, extending it into South Regina.
- The final stage of the Lakeridge Sports Park master plan was constructed, which includes more than 250 trees and our first bouldering facility.
- As part of the City's downtown revitalization, the Victoria Park Playground was upgraded with a new accessible play structure, in partnership with the Lions Clubs of Regina.

- Heritage design guidelines have been developed and will be implemented in 2007.
- An inventory of potential heritage properties was completed.

- The Regina Inner City Community Partnership initiative continues to work to revitalize and address the social issues facing Regina's inner city, in particular North Central. The three main priority areas are housing, crime and safety, and employment. This initiative added the Core neighbourhood in 2006.
- Development and implementation of a corporate-wide collaborative and community supported Graffiti Management Program, with several program components on eradication, enforcement, community engagement and education.
- Partnership with SaskSport, two school boards, and community partners for the Dreambroker Program linking inner city children and youth to arts, culture, sport, and recreation programs.
- The Fieldhouse floor was replaced in 2006 following an evaluation of the program needs of the Fieldhouse.

Urban Planning: Planning for the Future

- A new plan for the Southwest Sector was completed for 35,000 new residents, a million square feet of shopping, and airport related business activity. Innovations include an emphasis on walkability, safety, creating a sense of community and enhancing the quality of life.
- Revisions to the Southeast Sector Plan were completed for 45,000.
- A major annexation of land for Regina's future growth needs is before the Province for their approval.
- A new Neighbourhood Plan for the General Hospital Area was completed to address the needs of area residents.
- New policies for Community Gardens were included in the Regina Development Plan.
- Home-based business regulations were streamlined.

Improving Regina's Housing

- More than 500 dwelling units were covered by City incentive programs for infill development through the Inner City Housing Stimulation Strategy (ICHSS) and downtown conversion projects.
- A new 50-unit assisted living residence for seniors at Mutchmor Lodge became the third development to receive a Model Housing tax exemption under the ICHSS program.

- The Regina Housing Incentives Program – Warehouse District was approved by Council to provide tax exemptions of up to $7,500 per unit as an incentive for residential development in the District.
- Construction began on 29 affordable townhouse units in Phase I of the St. Joseph School Site, which will play a key role in the redevelopment in Core neighbourhood. The units will be built to R2000 standards to reduce monthly energy costs for residents.
- The Core Sustainable Neighbourhood Action Plan process was initiated in 2006 to bring community members and stakeholders together to develop an innovative and strategic action plan with a focus on social, economic and environmental neighbourhood sustainability. The Federation of Canadian Municipalities and Communities of Tomorrow provided funding support. The City's partners include Core Community Association, Regina Inner City Community Partnership, Action for Neighbourhood Change, and many others.
- The City continued to address homelessness through the National Homelessness Initiative and its work for a national housing policy through the Federation of Canadian municipalities. The current focus is on supporting services that enable people to make the transition from emergency shelters and short-term housing to a safe and stable, long-term home.
- The Mayor declared Regina Affordable Housing Week from November 20-25 to bring attention to the need for affordable housing.
- A major review of City housing incentives and policies is currently in progress.

Regina Transit

- Actively recruiting for new staff and operators included participating in job fairs and hosting an open house.
- A new special route was launched to service the Regina and District Food Bank on North Winnipeg Street.
- Shuttle service was provided for the two Rolling Stones concerts – transporting 37,500 passengers representing about 25 per cent of those attending the concerts.
- "The Buzz" campaign was aimed at University students to change the negative perception of riding busses and increase student ridership. A design was created for an entire outside vinyl bus wrap. The interior of the bus was also vinyl wrapped to create a more welcoming environment - the first time this has been done in North America.

Regina Police Service (RPS)

RPS continues to work diligently in addressing the needs and expectations of Regina citizens.

- In 2005, Regina recorded a decrease of 14.9 per cent in the annual crime rate. During the first 10 months of 2006, total personal crime was down by 3.7 per cent and property crime by 12 per cent including break and enters down by 21.8 per cent and auto theft by 6.2 per cent.
- Emergency calls always get top priority. A lower crime rate and effective deployment of resources, means improved service on all calls including lower priority calls.
- Through collaborative effort, the Auto Theft Strategy, the Housing Standards Enforcement Team, the Inner City Community Partnership, the Regina and Area Drug Strategy, the Regina Intersectoral Committee and other teams are helping make Regina a safer community.

Regina Fire Department (RFD)

- RFD continued to focus on children and youth who start fires through increased education, schedule changes, proactive intervention, and increased enforcement.
- The apprehension of a few youth responsible for dozens of fires resulted in a dramatic drop in the number of deliberately set fires in North Central during the fall of 2006.
- RFD chairs the Keeping Our Community Safe (KOCS) to address the issue of youth children setting fires. Without intervention, children and youth who set garbage fires often escalate to more serious crime.

- A major recruiting effort is underway to fill positions as long-term employees reach retirement age eligibility.

Art, Culture, Sport and Youth

Arts, culture and sport activities are tremendous assets to our city, adding to Regina's quality of life, attracting new businesses and visitors, and helping to revitalize neighbourhoods.

The City of Regina remains committed to the growth and development of this sector thought the Arts Commission, various other communities, policies, funding and programs.

In 2006, the City provided more than $13M in spending for all arts, heritage, cultural expenditures and library expenditures, which equals about $71 per capita, which compares well to other cities.

In 2006, Mayor Fiacco announced the formation of the Youth Advisory Council, which will advise City Council on issues related to youth. The Council will be made up of students from each of Regina's high schools.

Streets, Roads, Water and Sewer

2006 was a year of progress with respect to managing our traffic signals. We've implemented improved signal timings and made use of new technology to provide a more responsive traffic signal system. Detection was installed at 24 intersections and fire pre-emption at 17 locations. The Fire Department has had a positive experience with the devices and we are working together to provide a system that assists Fire in managing their response times.

- The Regina Downtown lighting enhancements is a partnership with SaskPower and Regina Downtown to replace old style lighting fixtures to provide better lighting using fewer fixtures that operate at a lower cost. This work will continue throughout 2007 and is scheduled to complete in 2008.
- The "Flashing 40 Zone" pilot project was implemented at Regina Christian School on Albert Street. This innovative approach to school speed limits balances the need for protecting pedestrians with the desire to accommodate traffic on a busy arterial street.
- 2006 also saw the construction of Regina's first-ever speed cushion traffic calming project at MacNeill School on Whelan Drive. These devices provide a clear path for fire trucks, while still requiring other drivers to slow down.
- The City of Regina partnered with SGI and Saskatchewan Highways to install four variable message signs on the Highway No. 1 Bypass/Ring Road. These signs will provide information to motorists about road and weather conditions.
- The City had an aggressive 17-project infrastructure improvement program in 2006.
- In 2006, the City of Regina made more than 30 km of street improvements, which compares to a 17 km ten year average.

- The City of Regina rolled out its new automated garbage carts to 8,500 homes to replace the obsolete carts and to expand automated pickup service into new areas, which will improve operation efficiency. By the end of the summer 2009, all households in Regina should be serviced by either the large, communal alley bins or the new rollout carts.
- Following a review of the Winter Road Maintenance Policy, Council approved a new policy which enhances levels of service closer to the average provided by other major prairie cities. The primary focus is to improve sidewalk clearing for accessibility and snow removal for safety including around schools, intersections, and bus stops.

Momentous Civic Pride...

I Love Regina

Plans are underway to develop an "I Love Regina" Ambassador Program. Recruiting volunteers began in late 2006. Mayor Fiacco is inviting enthusiastic Regina residents to act as "I Love Regina" Ambassadors. These volunteers will greet conference or event participants at the airport, act as hosts at events, welcome new residents, etc. The program will evolve over time so other activities will be identified. To become an ambassador, go online at www.regina.ca; email iloveregina@regina.ca; visit the Mayor's Office, 15th Floor City Hall; or call 777-7000.

Show your civic pride and join the "I Love Regina" movement.

2006 Omnibus Survey

The 2006 Omnibus Survey, conducted by Sigma Analytics, clearly reflects the confidence Reginans have in City programs and services, as well as their continued pride.

- Quality of Life gets Regina high marks with 95 per cent giving a positive response.
- Fire service, garbage collection, and parks continue to receive exceptionally high rankings.
- Almost all Reginans (97 per cent) feel safe walking in their neighbourhood during the day and the issue of greatest importance to respondents were crime and job creation.

Tourism and Major Events...

Tourism Regina

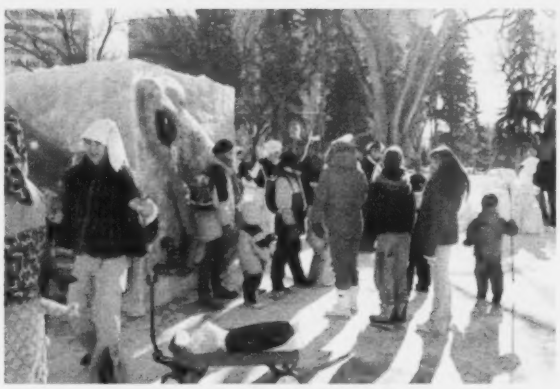
- Many of Regina's attractions had increased attendance in 2006 including Government House, Regina Plains Museum, and Casino Regina.
- Hotel occupancy rates were up 4.1 per cent during the first 10 months of 2006.
- Tourism directly supports 3,758 jobs in Regina and over 6,800 additional jobs indirectly.

Major Events and Celebrations

- Early 2006 saw curling at its best with the Tim Horton's Brier. Best estimates figure economic impact in the tens of millions.
- Regina hosted several major events including the First Nations Winter Games, Saskatchewan Automobile Assoc. Car Show, Shriners Mid-west Convention, and the Rotary District Conference.
- The epitome of concert attraction was hosting the Rolling Stones for two sold out shows in October. Preliminary studies put the economic impact at more than $15M. The Stones concerts put Regina on the map as a location of choice for concert promoters.
- In 2006, Casino Regina proudly celebrated its 10th Anniversary as Saskatchewan's top tourism draw.
- Tourism Regina completed its Tourism Strategy in 2006 with activities to be launched in 2007.
- The Destination Marketing Fund was implemented in March 2006. Expected to net $1M, it will be used to attract more events and conventions to the city.

Annual Events

- Bazaart
- Buffalo Days – The Provincial Exhibition
- Canadian Western Agribition
- Cathedral Village Arts Festival
- Craven Big Valley Jamboree
- Downtown Ice and Fire Carnival
- First Nations University of Canada Annual Pow Wow
- KŌNA-FEST
- Mosaic
- Mozart in the Meadow
- Queen City Marathon



- RCMP Sunset Retreat Ceremonies
- Regina Folk Festival
- Regina Highland Games
- Regina Pats Hockey
- Regina Rams
- Regina Thunder
- Royal Red – The Arabian Canadian Nationals
- RRHBA Spring Home and Garden Show & Sale
- Saskatchewan Roughriders
- SaskPower Regina Dragon Boat Festival
- Taste of Regina
- Taste of Spring
- Trial of Louis Riel
- University of Regina Cougars
- Western Canada Farm Progress Show
- Wintergreen

Regina International Airport

- 2006 was another record breaking year at the Regina International Airport with about 866,000 people using the airport – that's an increase of 5 per cent over 2005 passenger levels.
- An economic impact study showed that the airport generates more than $350 million of GDP activity. Each time an average Boeing 737 lands and takes off at Regina, it supports 18 person months of employment.

Looking to the Future...

2006 was another year of incredible success. In 2007, we'll build on that momentum and reach new heights. Here are some major initiatives in the works:

IPSCO Place

- IPSCO Place developed a multi-million dollar renovation plan to transform itself into a centre of sport and agriculture excellence for the next 100 years. A high priority is the development of a multi-use building for culture, sports, agriculture and recreation. IPSCO Place and the City of Regina have committed to this ambitious redevelopment plan for the replacement of aging facilities with modern, flexible use, energy efficient facilities. To make this happen, IPSCO Place and its partners such as Canadian Western Agribition will need the support of all three levels of government as well as the private sector. The goal is to begin work on this project by spring 2008.

Inner City of Regina

- Regina Inner City Community Partnership (RIICP), which has been playing an important role in the "turn-around" taking place in North Central, is now also focussing on the Core Area. RIICP is focusing on the areas of affordable housing, crime & safety, and employment.

Downtown

- We will continue to work to revitalize our downtown into a centre of activity that attracts visitors and new businesses & residents.

Infrastructure

- The interchange at Highway #1 and Lewvan Drive will continue to be a very high priority for Regina. City Council is working with its partners to ensure the development of this crucial interchange.
- We will continue our commitment to fix more streets and roads.
- Addressing Regina's sport and recreation infrastructure gap by working with the federal government to develop a national plan to solve this national problem will continue to be a high priority.

Crime and Safety

- We will be steadfast in our resolve to address crime and safety by putting more police officers on the street and continuing our collaborative approach to find solutions to the social and economic issues at the root of crime.

Financial Statement Discussion and Analysis

Financial Statement Discussion and Analysis

Introduction

The City of Regina 2006 Annual Financial report contains the audited consolidated financial statements prepared in accordance with principles and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, as required by *The Cities Act, 2002*.

The following financial statement discussion and analysis (FSD&A) was prepared by the City of Regina Administration. It should be read in conjunction with the audited consolidated financial statements and schedules.

Highlights

The 2006 Consolidated Financial Statements report an excess of revenues over expenditures of $19.1 million. The Net Asset position of the City improved from a $9 million net liability position at the end of 2005 to a net asset position of $10.4 million at the end of 2006.

Revenues increased by $25.2 million, while expenditures increased by $18.8 million from the prior year. Other highlights include:

- Long-term debt including Utility debt decreased by $10.3 million during 2006, from $55.9 million to $45.6 million.
- The City's General Fund Reserve increased by $8.3 million, reflecting a $2.7 million general operating surplus and an increase in land sales.

Demographic and Economic Information

	2006	2005	2004	2003	2002
Population	185,010	192,800	191,400	190,800	187,429
Building Permits					
Number	1,919	1,670	1,776	1,587	1,510
Value ($000's)	276,928	241,529	218,674	215,444	140,417
Urban Dwelling Starts	970	1,060	1,206	746	720
Inflation Rate for Regina (%)	1.9%	2.1%	2.2%	2.3%	2.7%
Unemployment Rate (%)					
Saskatchewan	4.3%	5.1%	5.3%	5.6%	5.7%
Canada	6.3%	6.8%	7.2%	7.6%	7.7%
Average Selling Price of Homes	132,000	124,000	112,000	104,000	101,000

Analysis

Revenues – Budget to Actual and Prior Year Comparison

For the year ended December 31
(in thousands of dollars)

	2006 Budget	2006 Actual	Variance Favourable (Unfavourable)	2005 Actual	Increase (Decrease)
Taxation	128,112	129,039	927	124,242	4,797
Fees and Charges	80,337	86,220	5,883	77,964	8,256
Government Transfers	32,508	32,738	230	19,684	13,054
Electrical Distribution	22,730	23,904	1,174	22,123	1,781
Licenses, Fines & Levies	8,094	8,724	630	9,659	(935)
Gas Distribution	9,395	8,710	(685)	9,431	(721)
Interest and Penalties	5,808	6,369	561	6,392	(23)
Development Charges	4,620	3,970	(650)	5,292	(1,322)
Land Sales	300	3,257	2,957	1,107	2,150
Other	409	1,048	639	2,891	(1,843)
Total	292,313	303,979	11,666	278,785	25,194

Taxation Revenue for 2006 was .7 of one percent above budget primarily because of supplemental taxes on new construction in 2006. Taxation revenue for 2006 was higher than 2005 by $4.8 million, or 3.9% due to some growth in assessment value due to new construction and development. As well, the required allowance for outstanding assessment appeals for 2005 was higher than that required for 2006.

Fees and Charges were about $5.9 million or 7% over budget primarily because of higher consumption than anticipated for utility revenues, as well as building permit fees. The increase over 2005 is primarily due to a 4% increase in utility rates required to fund future capital needs.

Electrical and Gas Distribution revenues were about $.5 million, or 1.5% higher than budget; and about $1 million above 2005, because of rate increases for electricity offset by decreases in natural gas consumption during 2006. Natural gas prices have been particularly volatile, with decreases in early 2006.

Development Charges are lower than budget as a result of the timing of development related expenditures.

Expenditures – Budget to Actual and Prior Year Comparison

	2006 Budget	2006 Actual	Variance Favourable (Unfavourable)	2005 Actual	Increase (Decrease)
Parks, Recreation and Community Services	50,447	47,063	3,384	44,599	2,464
Police	49,363	46,658	2,705	45,490	1,168
Legislative and Administrative Services	42,041	44,400	(2,359)	32,900	11,500
Water, Wastewater and Drainage	46,591	40,264	6,327	40,972	(708)
Roads and Traffic	39,150	36,643	2,507	35,805	838
Fire	26,755	27,645	(890)	25,693	1,952
Transit	24,831	21,528	3,303	23,513	(1,985)
Waste Collection and Disposal	10,077	12,794	(2,717)	9,125	3,669
Grants	4,096	4,172	(76)	4,168	4
Planning and Development	4,502	3,716	786	3,837	(121)
Total	297,853	284,883	12,970	266,102	18,781

For purposes of establishing and monitoring budgets, operating, capital and utility expenditures are considered separately. Overall, the general operating fund expenditures were under budget by less than 1%, although there were larger variances within specific areas.

There is generally more variability in actuals to budget for capital projects. City Council approves budget funds for each capital project based on the maximum forecast expenditure for the year to accommodate the planning and scheduling requirements associated with capital projects. There is typically a portion of the year's budget carried forward to future years for projects not completed within the fiscal year. For 2006, the carry-forward amount available was $36,870 (2005 - $36,404). The over expenditure for Legislative and Administrative Services, Fire, and Waste Collection and Disposal reflect the expenditure of prior years' capital budget amounts in 2006.

General Capital Fund – Budget and Actuals Comparison

For the year ended December 31
(in thousands of dollars)

	Budget 2006	Actual 2006	Actual 2005
Revenues			
Government transfers			
Federal	3,300	6,100	2,200
Provincial	7,400	4,403	220
Developer Contributions	4,480	2,713	3,814
Miscellaneous Revenues	175	1,232	3,900
	15,355	14,448	10,134
Expenditures	37,185	42,137	32,332
Net Expenditures	(21,830)	(27,689)	(22,198)
Financing and Transfers			
Net Interfund Transfers			
From Reserves	10,348	8,429	10,002
From Operating Fund	14,504	14,505	14,766
Unfunded Landfill and Infrastructure Costs	-	3,054	-
	24,852	25,988	24,768
Increase/(Decrease) In Fund Balance	3,022	(1,701)	2,570

Actual revenues only reflect the funding that is spent in the year referred to. Additional funding may be available for future years.

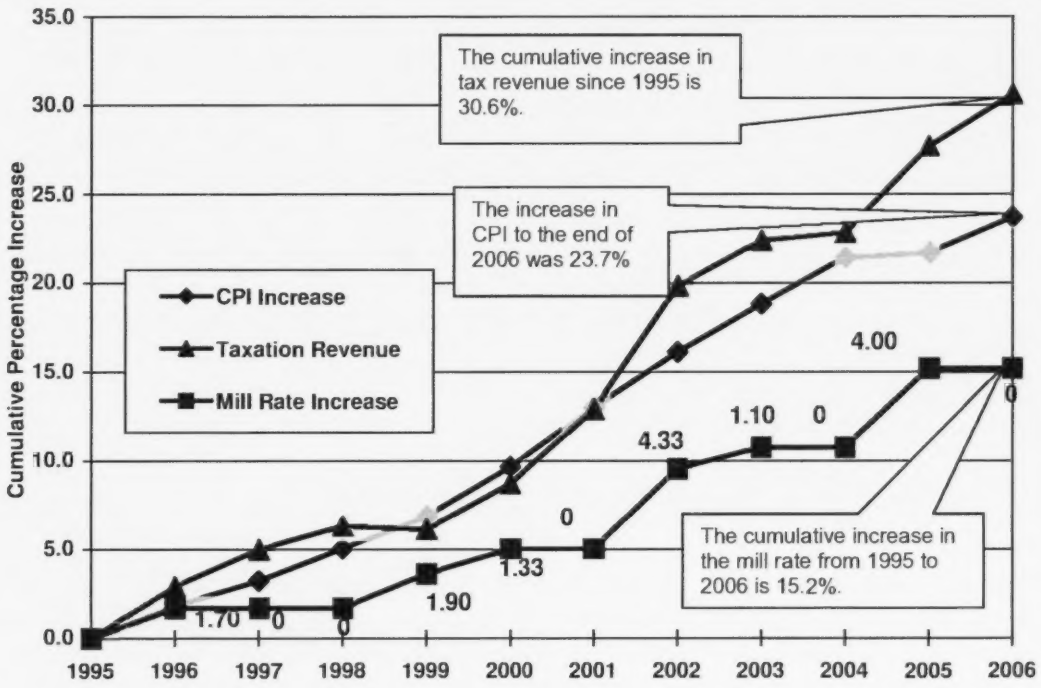
Significant Trends

Revenue Summary
(in thousands of dollars)

	2006	2005	2004	2003	2002
Taxation	129,039	124,242	116,399	116,118	114,921
Fees and Charges	86,220	77,964	76,715	76,032	70,777
Government Transfers	32,738	19,684	18,538	23,872	13,692
Electrical Distribution	23,904	22,123	20,760	20,746	19,987
Licenses, Fines and Levies	8,724	9,659	7,911	6,177	6,546
Gas Distribution	8,710	9,431	8,838	9,613	7,874
Interest and Penalties	6,369	6,392	6,101	7,593	7,497
Development Charges	3,970	5,292	4,688	2,957	2,468
Land Sales	3,257	1,107	1,206	2,141	954
Other	1,048	2,891	2,797	643	2,917
Total	303,979	278,785	263,953	265,892	247,633

Taxation Revenue generally increases with growth and tax rate increases. The following chart shows municipal mill rate increases, taxation revenue and the Consumer Price Index for the past ten years:

Municipal Mill Rate Increase, Tax Revenue Increase and CPI Increase
(Cumulative Increase Since 1995)



Taxation revenues result from municipal and library taxes levied on all properties in the City and business improvement levies assessed by the Business Improvement Districts on properties in the districts.

Property taxes are calculated by applying a mill rate and mill rate factor to each property assessment. The mill rate and mill rate factor together are known as the tax rate.

Taxable Assessment	x	Mill Rate	x	Mill Rate Factor	=	Property Tax

Taxable Property Assessment
(in thousands of dollars)

Year	Total
2006	6,348,482
2005	6,302,012
2004	5,368,835
2003	5,306,833
2002	5,274,500

Mill Rates

					Business Improvement Levies	
Year	Municipal	Schools	Library	Total	Regina Downtown	Regina's Old Warehouse District
2006	17.6987	18.5528	1.9320	38.1835	1.3107	1.1300
2005	17.6987	18.0264	1.8045	37.5296	1.3107	1.1300
2004	18.6212	19.7247	1.9745	40.3204	1.1300	0.9300
2003	18.6212	19.7247	1.9745	40.3204	1.1300	0.9300
2002	18.4190	19.7250	1.9080	40.0520	0.9300	n/a

Municipal Mill Rate Factors

Property Class/Subclass	2006	2005	2004	2003	2002
Residential	0.84113	0.83423	0.8789	0.8789	0.8789
Condominiums	0.84113	0.83423	0.8789	0.8789	0.8789
Multiple Family Residential	1.19420	1.27557	1.2693	1.2693	1.2693
Commercial and Industrial	1.34557	1.34557	1.19768	1.1900	1.1900
Exterior Hotels	n/a	n/a	0.61763	n/a	n/a
Golf Courses	0.94826	0.94826	0.78000	n/a	n/a
Agriculture	1.34557	1.34557	1.19000	1.1900	1.1900

Tax Levies and Collection

(in thousands of dollars)

	2006	2005	2004	2003	2002
Municipal Tax Levy	116,577	112,666	105,468	105,186	104,308
School Boards Tax Levy	110,209	97,836	107,407	114,512	110,986
Library Tax Levy	12,462	11,576	10,931	10,932	10,613
Total Tax Levy	239,248	222,078	223,806	230,630	225,907
Tax Levy Per Capita (in dollars)	1,293	1,152	1,169	1,209	1,205
Tax Arrears at End of Year (prior to Allowance for Doubtful Accounts)	5,350	5,702	6,772	7,601	7,498
Arrears as a % of Total Tax Levy	2.24%	2.56%	3.03%	3.30%	3.32%

Major Property Taxpayers in Regina in 2006

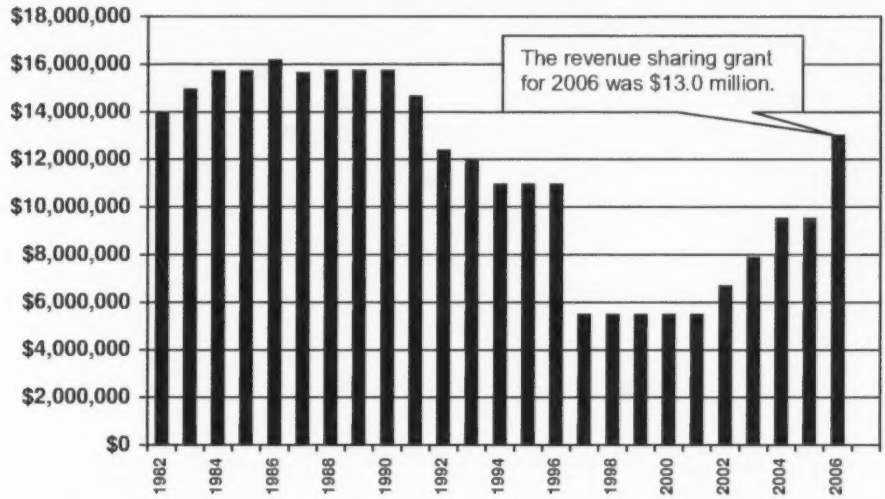
	Registered Owner	Total Taxable Assessment (in thousands of dollars)	% of Total Taxable Assessment
1.	Boardwalk REIT Properties Holdings Ltd.	50,773	0.80%
2.	Borealis Retail Cornwall Centre Inc.	49,781	0.79%
3.	Consumer's Co-operative Refineries Limited	49,577	0.79%
4.	HDL Investments Inc.	38,546	0.61%
5.	Saskatchewan Housing Corporation	35,510	0.56%
6.	Loblaw Properties West Inc.	34,499	0.54%
7.	Gordon Road Property Holdings Inc.	33,035	0.52%
8.	1532652 Ontario Limited	31,184	0.49%
9.	First Willow Developments Ltd.	28,784	0.45%
10.	SGC Holdings Inc.	25,627	0.40%
11.	Pyxis Real Estate Equities Inc.	25,016	0.39%
12.	4187415 Canada Inc.	19,575	0.31%
13.	Sears Canada Inc.	15,386	0.24%
14.	Regina Airport Authority	15,169	0.24%
15.	First Roughrider's Developments Limited	14,848	0.23%
	Total	467,310	7.36%
	Total 2006 Taxable Assessment	6,348,482	

The list of major taxpayers does not include properties where grants or payments in lieu of property tax are paid.

Fees and Charges revenue has generally increased due to rate increases, with some increase over the past two years due to higher building activity. The largest portion of the increase is attributable to increase in water and sewer utility rates required to fund infrastructure improvements to meet water and sewer treatment quality standards.

Government Transfers includes both operating and capital transfers and reflects the variability in various federal and provincial capital grant programs. The Provincial Revenue sharing grant is the largest single grant program available to the City of Regina. The following graph shows the Provincial Revenue Sharing Grant received by Regina since 1982:

Regina's Revenue Sharing Grant



Electrical and Gas Distribution Revenues reflect a trend of increasing rates for electricity and volatile rates for natural gas. Electrical consumption has been relatively steady over the past ten years but natural gas consumption has decreased on average about 3% per year.

Expenditure Summary
(in thousands of dollars)

	2006	2005	2004	2003	2002
Parks, Recreation and Community Services	47,063	44,599	49,910	45,488	40,391
Police	46,658	45,490	48,179	45,164	39,056
Legislative and Administrative Services	44,400	32,900	40,790	37,505	35,443
Water, Wastewater and Drainage	40,264	40,972	44,401	63,350	37,397
Roads and Traffic	36,643	35,805	41,245	31,277	29,247
Fire	27,645	25,693	24,831	23,984	21,529
Transit	21,528	23,513	19,045	19,624	19,233
Waste Collection and Disposal	12,794	9,125	8,479	7,817	6,259
Grants	4,172	4,168	3,935	3,950	3,977
Planning and Development	3,716	3,837	4,176	3,961	4,019
Other	-	-	-	-	3,112
Total	284,883	266,102	284,991	282,120	239,663

Expenditures by Object
(in thousands of dollars)

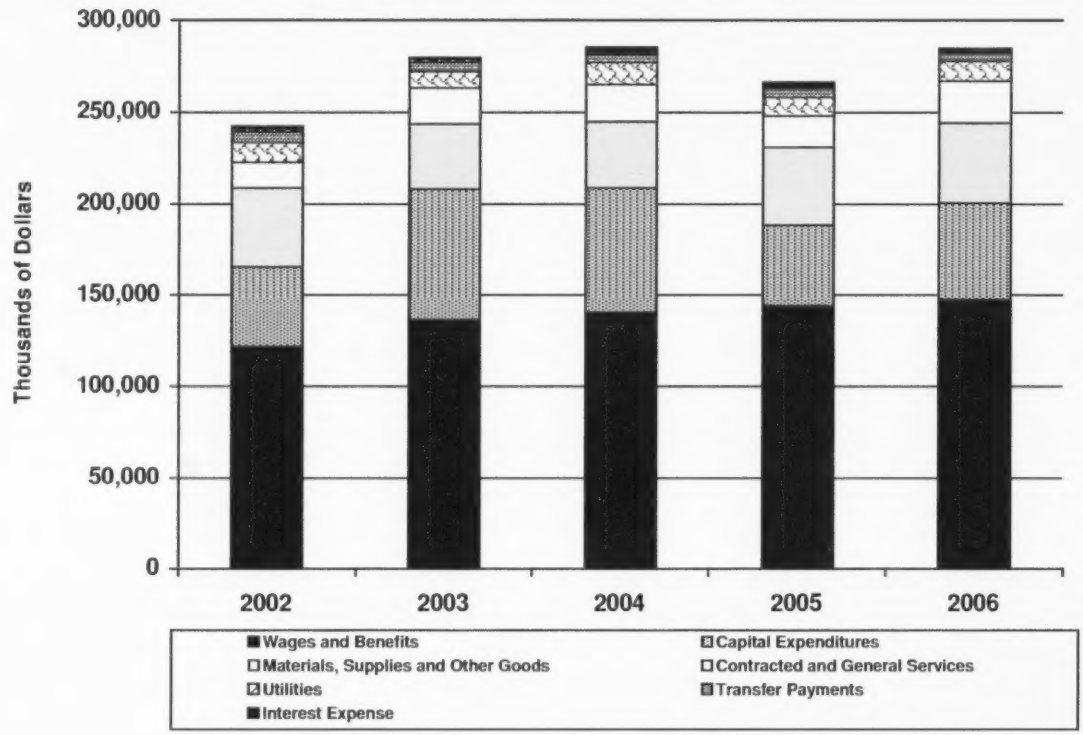
	2006	2005	2004	2003	2002
Wages and Benefits	147,475	143,390	140,329	136,131	121,787
Capital Expenditures	53,053	44,707	68,076	71,958	43,261
Materials, Supplies and Other Goods	43,301	36,489	36,440	35,644	43,421
Contracted and General Services	22,851	22,739	20,508	18,927	14,303
Utilities	10,617	10,700	11,451	10,729	9,188
Transfer Payments	4,879	4,825	4,523	5,227	5,142
Interest Expense	2,707	3,252	3,664	3,504	2,561
Total	284,883	266,102	284,991	282,120	239,663

The significant increase in wages and benefits in 2003 reflects the implementation of the PSAB guidelines for accounting for post-employment benefits including recording vested sick leave benefits on an actuarial basis.

Capital expenditures were significantly higher in 2003 and 2004 because of significant projects including Victoria Avenue East and the Wascana Lake Deepening Project, and higher in 2006 because of increases in transit, water, sewer and street infrastructure renewal capital spending.

The following graph displays the proportion of total expenditures by object:

Total Expenditures by Object
2002 – 2006



Financial Position – Net Financial Assets (Liabilities)

(in thousands of dollars)

	2006	2005	2004	2003	2002
Financial Assets					
Cash	9,041	11,301	5,836	8,813	10,770
Short-Term Investments	48,539	30,536	14,648	34,633	36,550
Accounts Receivable	35,547	38,002	34,467	30,906	27,623
Taxes Receivable	4,077	4,386	4,972	6,118	6,263
Long-Term Investments	58,597	56,406	79,438	66,473	84,891
Total	155,801	140,631	139,361	146,943	166,097
Liabilities					
Accounts Payable and Accrued Liabilities	28,819	28,222	31,170	31,283	27,834
Taxes Payable to School Boards	11,691	6,939	4,426	5,085	4,305
Deferred Revenue	6,760	7,425	6,473	4,286	4,617
Lease Obligations	2,400	2,124	2,393	2,540	2,546
Long-Term Debt	45,600	55,900	67,500	57,100	66,700
Employee Benefit Obligations	34,137	37,490	39,525	38,593	29,650
Landfill Closure and Post Closure	20,381	15,614	13,640	12,784	13,063
	149,788	153,714	165,127	151,671	148,715
Net Financial Assets (Liabilities)	6,013	(13,083)	(25,766)	(4,728)	17,382

Investments

Fluctuations in Short and Long Term Investments reflect the timing of debt issues, provincial and federal grants, and the expenditure of the proceeds on various capital projects.

Assessment Appeals

Accounts Payable and Accrued Liabilities include standard trade and payroll amounts payable as at December 31. It also includes a contingency amount for potential losses on assessment appeals. There are currently a number of appeals outstanding at various levels of the appeal process relating to assessments for the years 2001 through 2006, with a total risk estimated at about $7.0 million. At the end of 2005, appeals were outstanding for 2001 through 2005, with a total risk of about $7.3 million. The risk is estimated by a review of each appeal including an analysis of the issues raised in the appeal and the potential reduction in assessment value.

During 2006, a relatively few number of appeals were resolved. During the review of outstanding appeals at the end of 2006, adjustments in risk for 2003 appeals were increased by about $550,000 and for 2005 decreased by about $500,000 as a result of new information from the appeal process and the impact on the phase-in of tax adjustments from the 2005 reassessment. The net impact on 2006 was an expense of about $300,000 in assessment appeals for the 2006 year. The lengthy process for resolution of the appeals through the courts results in significant uncertainty in estimating the potential losses for the appeals still outstanding.

Long-Term Debt

as at December 31
(in thousands of dollars)

	2006	2005	2004	2003	2002
Total Debt Outstanding (Beginning of Year)	55,900	67,500	57,100	66,700	32,300
Debt Issued During Year	-	-	20,000	-	40,000
Debt Repayments During Year	(10,300)	(11,600)	(9,600)	(9,600)	(5,600)
Total Debt Outstanding (End of Year)	45,600	55,900	67,500	57,100	66,700
General Municipal Debt Outstanding (End of Year)	11,200	12,600	14,000	-	-
Water and Sewer Utility Debt Outstanding (End of Year)	34,400	43,300	53,500	57,100	66,700
Total Debt Outstanding	45,600	55,900	67,500	57,100	66,700
Debt Per Capita (in dollars)	246	290	353	299	356

In 2006, Standard & Poor's affirmed its 'AA+' credit rating with a stable outlook for the City based on the city's very strong financial performance. The rating reflects the City's modest debt burden and robust cash and investment holdings. The rating indicated that these strengths are partially offset by constraints on the City's financial flexibility that are greater than those faced by most other rated comparable Canadian municipalities.

The City's tax-supported debt was $11.2 million at the end of 2006, while debt incurred to fund the water and sewer utility was $34.4 million for a total of $45.6 million. The City last issued $20 million in debt in 2004, and it is expected that borrowing in the range of $100 million will be required over the period 2008-2011 to finance improvements to the City's wastewater treatment facilities.

The City of Regina's authorized debt limit is 94,000 (2004 – 94,000). The debt limit is approved by the Saskatchewan Municipal Board pursuant to the provisions of *The Cities Act*.

Debt Service Costs

(in thousands of dollars)

	2006	2005	2004	2003	2002
General Municipal Debt					
Principal	1,400	1,400	-	-	-
Interest	511	549	470	-	-
	1,911	1,949	470	-	-
Water and Sewer Utility					
Principal	8,900	10,200	9,600	9,600	5,600
Interest	2,007	2,500	2,988	3,289	2,384
	10,907	12,700	12,588	12,889	7,984
Total	12,818	14,649	13,058	12,889	7,984
Debt Service Costs as a Per Cent of Total Expenditures	4.5%	5.5%	4.6%	4.5%	3.3%
Debt Service Costs as a Per Cent of Total Revenues	4.2%	5.3%	4.9%	4.8%	3.2%

Employee Benefit Obligations

The increase in Employee Benefit Obligations from 2002 to 2003 reflects the City's adoption of the PSAB requirements for valuing post-employment benefits such as sick leave, service pay and group insurance on an actuarial basis. Since 2003, the increase primarily reflects the impact of general wage rate increases on vacation pay. In 2006, approximately $4.2 million was paid out for vested sick leave on termination including retirements. As a larger proportion of the City's work force reaches retirement age over the next five to ten years, the cash expenditures relating to this obligation will continue to be significant.

This amount also includes the liability for the Regina Police Pension and the Chief of Police Pension Plans only. The Regina Civic Superannuation and Benefits Plan includes a larger group of employees, but since it is a multi-employer plan, it is not possible to determine the City's portion of any actuarial surplus or deficit and thus no amount is included in the Statement of Financial Position for this plan. As disclosed in Note 6 to the Financial Statements, an actuarial extrapolation completed for the plan for accounting purposes indicates a surplus of net assets available for benefits of $57,162 (2005 – $5,993 surplus).

For funding purposes, the plan was required to complete an actuarial valuation on both a going concern and a solvency basis for December 31, 2005. The valuation for solvency purposes requires any shortfall to be funded over a five-year period. The valuation was completed during 2006 and a solvency deficiency required either a significant increase in contribution rates or a decrease in benefits. The Plan approved a reduction in benefits relating to terminated employees effective January 1, 2007. This reduced the total current contribution rates for the City and the members from an average rate of 20.3% of pensionable earnings to 19.2%. The following table shows the City's contributions to the Plan for the past five years:

	2006	2005	2004	2003	2002
City of Regina Employer Contributions	10,212	9,040	8,569	5,429	5,250

(in thousands of dollars)

Reserves

As at December 31
(in thousands of dollars)

	2006	2005	2004	2003	2002
Reserves					
City of Regina Reserves	44,873	30,640	30,658	45,174	51,786
Group Benefits Reserves	6,830	6,682	5,728	5,150	6,316
Other Entities Reserves	6,103	4,777	4,509	4,259	4,208
Total	57,806	42,099	40,895	54,583	62,310

Reserve balances totalled $58 million at the end of 2006 (2005 - $42 million).

The City allocates funds to reserves to meet specific future operating and capital expenditure requirements. The largest reserve is the General Fund Reserve, which is intended to provide funding in the event of an operating deficit, as well as for one-time initiatives. This reserve balance decreased substantially from $19 million at the end of 2002 to $8 million at the end of 2004, but increased by about $10 million during 2005 and 2006 primarily because of the City's general operating fund surplus and land

sales. The reserves represent amounts that Council has funded through annual operating revenues for future requirements. The financial statements include a number of liabilities which will be funded from future revenues. These amounts are reflected in Note 10 to the Financial Statements as Obligations to be Paid from Future Revenues, and include amounts related to the Employee Benefit Obligations, Long Term Debt and the Landfill Closure and Post-Closure costs.

Physical Assets

Currently the Public Sector Accounting Board (PSAB) guidelines require that amounts spent for capital assets be recorded as expenditures at the time the asset is acquired. In March 2007, PSAB issued a revised Handbook section 3150, which will require local governments to report all tangible capital assets as assets on the Statement of Financial Position and provide for amortization over the expected useful lives. This change will significantly impact the City of Regina's financial statements. Implementation is required for the 2009 financial statements. The Administration has developed a project plan to be carried out over 2008 and early 2009.

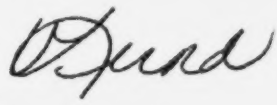
Looking Forward

Regina, like other cities, faces challenges that include aging infrastructure and requirements resulting from growth and increased standards. Revenue growth from new development and electrical and natural gas distribution revenues is expected to be higher in 2007 than previous years. However, the growth is not sufficient to keep pace with operating expenses or increased capital requirements.

In 2007, the Province of Saskatchewan announced an increase in the revenue sharing pool for cities that will provide an additional $2.5 million in revenue. The Province has also committed to an 'Urban Agenda' and discussions regarding revenue sharing and future capital funding are underway.

During 2005, the Federal Government implemented a program to share a portion of the Federal Gas Tax revenues with municipalities. In 2007, it is expected that Regina will receive $4.4 million in Federal gas tax grants, with the amount increasing to about $11.1 million by 2009. There is also a Federal funding program for Transit capital that is expected to provide $10.7 million for 2007.

The additional operating and capital funding was a significant factor in achieving a municipal mill rate increase of 3.91% in 2007 General Operating Budget approved by City Council on April 17, 2007. It also represents increasing recognition of the issue of local government financing by the Provincial and Federal Governments. Over the longer term, the City will continue to be faced with fiscal pressure unless there is a fundamental change in the revenue framework for cities.



Vivian Lund, CA
Acting Director of Finance

May 31, 2007

Introduction

MANAGEMENT'S REPORT

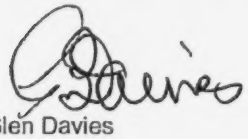
RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and all other information contained in this Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). The preparation of the statements necessarily includes some amounts, which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the financial statements.

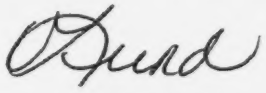
To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded and that the financial records are reliable for the preparation of financial statements.

The Finance and Administration Committee, established by City Council, comprises five elected officials, along with the Mayor as an ex-officio member. The Committee, in addition to considering a variety of financial and administrative issues, reviews the content of the annual financial report for presentation to City Council, and reviews external audit reports.

Deloitte & Touche LLP, Chartered Accountants, the City's appointed external auditors, have audited the consolidated financial statements. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.



Glen Davies
City Manager



Vivian Lund, CA
Acting Director of Finance

May 18, 2007

Deloitte

Deloitte & Touche LLP
900 - 2103 11th Ave
Bank of Montreal Building
Regina SK S4P 3Z8
Canada

Tel: 306-565-5200
Fax: 306-757-4753
www.deloitte.ca

Auditors' Report

To His Worship the Mayor and Members of City Council

We have audited the consolidated statement of financial position of the City of Regina as at December 31, 2006 and the consolidated statements of financial activities and changes in net assets, and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Regina as at December 31, 2006, and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
May 18, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

As at December 31, 2006

	2006	2005
FINANCIAL ASSETS		
Cash	**9,041**	11,301
Short-term investments (Note 2)	**48,539**	30,536
Accounts receivable	**35,547**	38,002
Taxes receivable (Note 12)	**4,077**	4,386
Long-term investments (Note 3)	**58,597**	56,406
	155,801	140,631
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	**28,819**	28,222
Taxes payable to school boards	**11,691**	6,939
Deferred revenue	**6,760**	7,425
Capital lease obligations (Note 4)	**2,400**	2,124
Long-term debt (Note 5)	**45,600**	55,900
Employee benefit obligations (Note 6)	**34,137**	37,490
Landfill closure and post-closure (Note 7)	**20,381**	15,614
	149,788	153,714
NET FINANCIAL ASSETS (LIABILITIES)	**6,013**	(13,083)
NON-FINANCIAL ASSETS		
Property held for resale (Note 9)	**267**	270
Materials and supplies	**4,094**	3,824
NET ASSETS (Note 10)	**10,374**	(8,989)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN NET ASSETS

(in thousands of dollars)

For the year ended December 31, 2006

	Budget 2006	**Actual 2006**	Actual 2005
REVENUE			
Taxation (Note 12)	128,112	**129,039**	124,242
Fees and charges	80,337	**86,220**	77,964
Government transfers (Note 13)	32,508	**32,738**	19,684
Electrical distribution	22,730	**23,904**	22,123
Licenses, fines and levies	8,094	**8,724**	9,659
Gas distribution	9,395	**8,710**	9,431
Interest and penalties	5,808	**6,369**	6,392
Development charges	4,620	**3,970**	5,292
Land sales	300	**3,257**	1,107
Other	409	**1,048**	2,891
	292,313	**303,979**	278,785
EXPENDITURES			
Parks, recreation and community services	50,447	**47,063**	44,599
Police	49,363	**46,658**	45,490
Legislative and administrative services	42,041	**44,400**	32,900
Water, wastewater and drainage	46,591	**40,264**	40,972
Roads and traffic	39,150	**36,643**	35,805
Fire	26,755	**27,645**	25,693
Transit	24,831	**21,528**	23,513
Waste collection and disposal	10,077	**12,794**	9,125
Grants	4,096	**4,172**	4,168
Planning and development	4,502	**3,716**	3,837
	297,853	**284,883**	266,102
EXCESS OF REVENUE OVER EXPENDITURES		**19,096**	12,683
Increase (decrease) in non-financial assets		**267**	(942)
INCREASE IN NET ASSETS		**19,363**	11,741
NET LIABILITIES, BEGINNING OF YEAR		**(8,989)**	(20,730)
NET ASSETS (LIABILITIES), END OF YEAR		**10,374**	(8,989)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of dollars)

For the year ended December 31, 2006

	2006	2005
CASH PROVIDED BY		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**19,096**	12,683
Net change in non-cash working Items		
Decrease (increase) in accounts receivable	**2,455**	(3,535)
Decrease in taxes receivable	**309**	586
Increase (decrease) in accounts payable and accrued liabilities	**597**	(2,948)
Increase in taxes payable to school boards	**4,752**	2,513
(Decrease) increase in deferred revenue	**(665)**	952
Increase (decrease) in lease obligations	**276**	(269)
(Decrease) in employee benefit obligations	**(3,353)**	(2,035)
Increase in landfill closure and post-closure liability	**4,767**	1,974
	28,234	9,921
INVESTING ACTIVITIES		
Net purchase of short-term investments	**(18,003)**	(15,888)
Net (purchase) sale of long-term investments	**(2,191)**	23,032
	(20,194)	7,144
FINANCING ACTIVITIES		
Long-term debt retired	**(10,300)**	(11,600)
	(10,300)	(11,600)
(DECREASE) INCREASE IN CASH POSITION	**(2,260)**	5,465
CASH POSITION, BEGINNING OF YEAR	**11,301**	5,836
CASH POSITION, END OF YEAR	**9,041**	11,301

See accompanying notes to consolidated financial statements.

December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Regina (the City) are prepared by management in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Significant aspects of the accounting policies adopted by the City are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, changes in net assets and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable to the City for the administration of their financial affairs and resources and which are owned or controlled by the City, namely:

- General operating and capital funds
- Water and sewer utility operating and capital funds
- Regina Public Library
- Regina Regional Economic Development Authority
- Regina Downtown Business Improvement District
- Regina's Old Warehouse Business Improvement District

Inter-departmental and inter-organizational transactions and balances have been eliminated.

The City has an interest in the Buffalo Pound Water Administration Board, a government partnership, that is proportionately consolidated.

The City owns Regina Pioneer Village Ltd., a government business enterprise, that is accounted for using the modified equity method, consistent with the generally accepted accounting treatment for government business enterprises (See Note 3). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated.

Revenue and expenditure recognition

Revenues are recorded using the accrual basis of accounting whereby revenues are recognized as they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenditures are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

Property tax revenue is based on assessments determined in accordance with Provincial legislation and the formulas, principles and rules in the Saskatchewan Assessment Manual. Tax mill rates are established annually. Taxation revenues are recorded net of a provision for potential losses on outstanding assessment appeals and uncollected taxes. By their nature, these provisions are subject to measurement uncertainty and the impact on the financial statements of future periods could be material (See Note 12). Penalties on overdue taxes are recorded in the period levied.

Electrical distribution revenues consist of the municipal surcharge and payments in lieu of taxes received from SaskPower. The municipal surcharge revenue and payments in lieu of taxes are equal to 10% and 5% respectively of the value of the supply of electrical energy provided by SaskPower to customers within the City of Regina limits.

Gas distribution revenues mainly consist of the payments in lieu of taxes received from SaskEnergy and TransGas. The payment in lieu of taxes received from SaskEnergy is equal to 5% of the fees levied by SaskEnergy to customers within the City of Regina limits. The payment in lieu of taxes received from TransGas is equal to 5% of the transportation fees and the deemed value of the gas transmitted by TransGas to consumers within the City of Regina limits. Pursuant to an agreement with the City for two major consumers who are served by TransGas, the 5% payments to the City in lieu of taxes are based on the transportation costs and the deemed value of the fuel stock consumed.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met, and reasonable estimates can be made.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles as recommended by the CICA requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

Investments

All investments are recorded at cost less write downs to reflect permanent declines in value. Investment transactions are accounted for at the trade date. Interest income is recorded on the accrual basis.

Materials and supplies

Inventories of materials and supplies are valued at average cost.

Taxes collected for others

The City collects taxes for the Regina Separate School Board and the Regina Public School Board. These taxes are remitted to the respective Boards less an amount to offset cancellations relating to school taxes and the City's cost in carrying the receivables.

Deferred revenue

The City receives development charge contributions, payments in lieu of parking and payments in lieu of dedication of land for public reserve under the authority of provincial legislation and City bylaws. The City also receives special taxes levied pursuant to Section 275 of *The Cities Act* which are to be expended on alley maintenance, and rent revenue received from the Saskatchewan Roughriders football club which is to be spent on upgrading Taylor Field. These funds are restricted as to their use and are not recognized as revenue until the fiscal period in which they are used to make qualifying expenditures.

Deferred revenue also includes monies received in advance for taxes, transit passes, servicing and sub-division revenue, prepaid cemetery revenue and pre-season sales from the various recreational facilities.

Employee benefit plans

The City participates in contributory defined benefit or defined contribution pension plans for virtually all of its employees. Under the defined contribution plan, the City's obligations are limited to its contributions. These contributions are expensed in the period in which they are due and payable.

For defined benefit pension plans considered to be single-employer plans, the cost of pension benefits is actuarially determined using the projected benefit method prorated on service and the pension plan administrator's best estimate of expected salary and benefit escalation and retirement ages of employees. Market rates are used to measure the accrued benefit obligation as well as the assets of the pension plans. Actuarial gains and losses on pension obligations and/or pension fund assets are amortized over the average remaining service life of the related employee groups.

For defined benefit plans considered to be multi-employer plans, the contributions are expensed when they are due and payable.

The City has various post-employment benefits and termination benefit obligations earned by employees and expected to be provided to them when they are no longer providing active service.

The obligations for vested sick leave, service or retirement allowances and other post-employment benefits have been determined on an actuarial basis. The obligations for vacation pay and banked time in lieu of overtime have been accounted for at an undiscounted value at the current rate of pay.

Capital assets

Expenditures on capital assets are recognized as expenditures in the period the assets are acquired or constructed.

Budget information

Unaudited budget information is presented on a basis consistent with that used for actual results.

2. SHORT-TERM INVESTMENTS

Short-term investments are recorded at cost and have a market value approximating cost. The investment is in a money market fund, holdings of which may include a combination of treasury bills, commercial paper, bankers' acceptances or promissory notes.

3. LONG-TERM INVESTMENTS

Long-term investments include investments in a pooled bond fund as well as in Regina Pioneer Village Ltd.

	Carrying Value		Market Value	
	2006	2005	**2006**	2005
Pooled bond fund	**52,349**	49,594	**53,047**	50,999
Regina Pioneer Village Ltd.	**6,248**	6,812	**n/a**	n/a
	58,597	56,406		

A pooled bond fund is a group of individual bonds managed by an investment manager. The market value of the pooled bond fund units is based on the market price per unit which is determined by the overall market values of each of the bonds in the fund.

Regina Pioneer Village Ltd. is a non-profit corporation that operates a special care home, housing accommodations and other related services through its two wholly-owned non-profit corporate subsidiaries. The market value of Regina Pioneer Village Ltd. is not readily determinable. Regina Pioneer Village Ltd. has experienced funding shortfalls for several years and is expecting a shortfall for fiscal 2007. The City and Board of Regina Pioneer Village are continuing discussions with the Regina Qu'Appelle Health District, which is the primary funder, to address the funding shortfall. The following is a schedule of relevant audited financial information for Regina Pioneer Village Ltd. for the year ended March 31, 2006:

	2006	2005
Revenues	**24,430**	23,107
Expenses	**24,994**	23,521
Net (loss)	**(564)**	(414)
Current assets	**3,563**	3,272
Capital assets	**13,674**	13,763
Other	**885**	942
Total assets	**18,122**	17,977
Current liabilities	**3,823**	2,898
Long-term liabilities	**8,051**	8,267
Total liabilities	**11,874**	11,165
Equity	**6,248**	6,812

The following amounts relating to Regina Pioneer Village Ltd. have been included in the consolidated statements:

	2006	2005
Long-term investments	**6,248**	6,812
Fees and charges expenses	**(564)**	(414)

4. CAPITAL LEASE OBLIGATIONS

The following is a schedule of future minimum lease payments under capital leases for computer equipment, software and building contracts along with the balance of the capital lease obligation:

2007	**722**
2008	**621**
2009	**481**
2010	**295**
2011	**229**
Thereafter to 2014	**686**
Total minimum lease payments	**3,034**
Less amount representing interest (5.5%-9.25%)	**(634)**
Capital lease obligations	**2,400**

5. LONG-TERM DEBT

Debenture debt, unsecured

	2006	2005
Operating fund	**11,200**	12,600
Utility fund	**34,400**	43,300
Total debenture debt	**45,600**	55,900
Authorized debt limit	**94,000**	94,000
Interest rates	**3.35 - 6.75%**	2.85 - 6.75%
Interest costs for year	**2,518**	3,049

The debenture debt is repayable as follows:

2007	**10,300**
2008	**7,300**
2009	**6,000**
2010	**6,000**
2011	**6,000**
2012	**6,000**
2013	**2,000**
2014	**2,000**
	45,600

Bank Indebtedness

Pursuant to *The Regina Administration Bylaw 2003-69*, the City can incur bank indebtedness. Interest on this indebtedness is calculated at the prime rate of interest less 0.5%, payable monthly and the City has pledged certain revenues as security for the debt obligation. At December 31, 2006, the City had no bank indebtedness.

6. EMPLOYEE BENEFIT OBLIGATIONS

The City's employee benefit obligations are as follows:

	Funded	To be funded in future	**Total 2006**	Total 2005
a) Defined benefit pension plans				
Regina Police Superannuation and Benefits Plan	-	2,020	**2,020**	4,412
Chief of Police	408	(50)	**358**	364
Regina Police Civilian Employees' Early Retirement	-	380	**380**	222
	408	2,350	**2,758**	4,998
b) Other benefit plans				
Termination payments	552	12,579	**13,131**	14,086
Continuation of group life, medical and dental benefits	303	4,681	**4,984**	4,749
	855	17,260	**18,115**	18,835
c) Other plans and arrangements				
Vacation	312	10,132	**10,444**	11,284
Overtime	16	1,884	**1,900**	1,773
Other termination payments and pensions	361	130	**491**	455
Group life, medical and dental plans	429	-	**429**	145
	1,118	12,146	**13,264**	13,657
	2,381	31,756	**34,137**	37,490

a) Defined benefit pension plans

The Regina Police Pension Plan and the Chief of Police Pension Plan are defined benefit pension plans. As required by provincial legislation, actuarial funding valuations are completed at least triennially.

The Regina Police Civilian Employees' Early Retirement Benefits Arrangement is a defined benefit arrangement augmenting the Regina Police Pension Plan. If a member of the Regina Police Pension Plan retires prior to eligibility for Canada Pension Plan (CPP) benefits, the City pays benefits equivalent to the

CPP benefits the member would receive at the CPP retirement age until the member starts to receive actual CPP benefits. Contributions are not required from members.

Actuarial valuations of the defined benefit pension plans are performed using the projected benefit method prorated on service to determine the accrued benefit obligation and the expense to be recognized in the financial statements.

The results of the most recent actuarial valuations and significant assumptions utilized in these valuations are as follows:

	Police	Chief of Police	Police Civilian Employees' Early Retirement	**Total 2006**	Total 2005
Fair value of plan assets, beginning of year	108,599	559	-	**109,158**	95,665
Employer contributions	4,322	9	-	**4,331**	4,191
Employee contributions	-	12	-	**12**	11
Actual return on plan assets	13,730	72	-	**13,802**	15,010
Less benefits paid	(6,064)	-	-	**(6,064)**	(5,719)
Fair value of plan assets, end of year	120,587	652	-	**121,239**	109,158
Accrued benefit obligation, beginning of year	104,345	857	222	**105,424**	101,403
Current period benefit cost	2,850	34	24	**2,908**	2,764
Interest on accrued benefit obligation	7,192	60	16	**7,268**	6,994
Actuarial (gains) losses	6,387	-	138	**6,525**	(9)
Less benefits paid	(6,064)	-	(20)	**(6,084)**	(5,728)
Accrued benefit obligation, end of year	114,710	951	380	**116,041**	105,424
Fund status - plan surplus (deficit)	5,877	(299)	(380)	**5,198**	3,734
To be funded by employee	-	54	-	**54**	54
Unamortized net actuarial gain	(7,897)	(113)		**(8,010)**	(8,786)
Accrued benefit liability	**2,020**	**358**	**380**	**2,758**	4,998
Current period benefit cost	2,850	34	24	**2,908**	2,764
Amortization of actuarial (gains) losses	(575)	(40)	-	**(615)**	86
Interest expense	(349)	22	16	**(311)**	352
Member contributions	-	(12)	-	**(12)**	(12)
Benefit expense	**1,926**	**4**	**40**	**1,970**	3,190

Actuary	Aon Consulting Inc.		
Date of most recent valuation	Dec 31, 2005	Dec 31, 2004	Dec 31, 2005
Discount rate (%)	6.75	6.75	6.75
Inflation rate (%)	2.5	3.0	n/a
Long term return rate on plan assets (%)	6.75	6.75	n/a
Rate of compensation increase (%)	3.5	4.0	4.5
Expected average remaining service years	13.0	2.0	13.0
Contribution rate as a percentage of salary:	-	-	-
Members	11.33-12.83%	9%	0
City	11.83-13.33%	9%	variable

b) Other benefit plans

Pursuant to union agreements eligible employees are entitled to termination payments based upon their unused sick leave or years of service.

Group life, medical and dental benefits represents the obligation for the continuation of group life insurance, dental and medical benefits for employees on long-term disability and the City's share of group life insurance for early retirees

Retirees may continue group life insurance coverage to age 65 on a 50% cost shared basis with the City. Employee and employer premiums for continuation of group life insurance for employees on long term disability are fully funded through contributions maintained in a reserve. Medical and dental coverage for employees on long term disability is provided on a 50% cost shared basis between the employee and employer.

Actuarial valuations are performed to determine the accrued benefit obligation and the expense to be recognized in the financial statements. The results of and significant assumptions utilized in these valuations are as follows:

	Termination payments		Group life, medical		
	City employees	Library employees	and dental plans	**Total 2006**	Total 2005
Accrued benefit obligation, beginning of year	13,183	903	4,749	**18,835**	19,265
Current period benefit cost	788	53	152	**993**	1,027
Interest on accrued benefit obligation	701	43	236	**980**	1,092
Actuarial (gains) losses	-	(9)	34	**25**	(1,607)
Less benefits paid	(2,443)	(88)	(187)	**(2,718)**	(942)
Accrued benefit liability	12,229	902	4,984	**18,115**	18,835
Current period benefit cost	788	53	152	**993**	1,027
Amortization of actuarial (gains) losses	(128)	(9)	34	**(103)**	(8)
Interest expense	701	43	236	**980**	1,092
Benefit expense	1,361	87	422	**1,870**	2,111

Actuary	Aon Consulting Inc.		Mercer Human Resources Consulting Limited
Date of most recent valuation	Dec 31, 2005	Dec 31, 2004	Dec 31, 2004
Discount rate (%)	5.50	5.50	4.50-4.75
Rate of compensation increase (%)	4.5-5.0	4.0 + merit	2.9-3.4
Expected average remaining service years	10-13	15.0	n/a

c) Other plans and arrangements

Employees are entitled to vacation pay and overtime as outlined in administrative policies and/or contractual agreements. The liability for these benefits is determined using current rates of pay and is not discounted.

Out of scope employees are contractually entitled to certain pensions and termination payments. Buffalo Pound employees are entitled to termination payments based upon years of service or unused sick leave. Benefits start to vest after 10 or 15 years of service and are recognized as expenses when they are vested.

Group Life and Dental Plans represents the liability for claims in progress and claim fluctuations under those plans at the end of the year.

A group life insurance plan is administered by Great West Life on a self-insured basis, with a stop-loss provision limiting losses to claims in excess of 150% of premiums for any calendar year. The primary components of the plan are funded equally by employer and employees. Dental and Medical plans are also provided for most employees on a cost-shared basis.

For group life insurance, the balance of the employer and employee premiums collected in excess of claims are held in group insurance reserves, which are intended for future benefits and stabilization of premiums. The employer's portion of the obligations under the group insurance plan that will be funded from the reserves is reflected Other Benefit Plans. Amounts held in the reserves that reflect obligations to be funded from employee contributions have been included in Accounts Payable and Accrued Liabilities. The balance of the group life insurance reserves, after reflecting the liabilities for the employee and employer share of future obligations, is 5,932. This amount has been included in Group Benefit Reserves (Note 11). A similar amount is also recorded for the group dental plan.

d) Multi-employer defined benefit plans

The following two multi-employer defined benefit plans are for Regina Civic Employees provide benefits to employees of the City of Regina, the Qu'Appelle Health Region (the Regina General Hospital Division and Community Health Division), the Buffalo Pound Water Administration Board, the Regina Public Library Board, and the non-teaching staff of the Board of Education of the Regina School Division No. 4 of Saskatchewan:

	Superannuation & Benefit Plan	Long-Term Disability Plan	**Total 2006**	Total 2005
Benefit expense	10,212	863	**11,075**	9,955
Surplus of plan assets over benefit obligation per plan financial statements	57,162	7,469	**64,631**	9,835
Contribution rate as a percentage of salary				
Members	8.48 - 14.05%	1.04%		
Employers	8.48 - 14.05%	1.04%		
City employee contributions	9,311	863	**10,174**	9,995
Date of most recent actuarial valuation	Dec 31, 2005	Dec 31, 2003		
Actuary	Mercer Human Resource Consulting Limited			

The contributions by the participating employers are not segregated in separate accounts or restricted to provide benefits to the employees of a particular employer. The portion of the annual benefit costs and of the asset surpluses that are attributable to the City cannot be determined.

Accordingly, the multi-employer plans are accounted for on the defined contribution basis. No portion of the asset surpluses of the plans are recognized as assets. The benefit expense reflected in the financial statements is equal to the City's contributions for the year.

e) Defined contribution pension plan

The Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan is a defined contribution plan. Pension fund assets are invested in marketable investments of organizations external to the City. Benefit expense is limited to the City's contributions to the plan.

	2006	2005
Casual employee members' contribution rate	**3.0%**	3.0%
Elected official members' contribution rate	**6.95%**	6.95%
Members' contributions	**212**	193
Benefit expense	**212**	193

7. LANDFILL CLOSURE AND POST-CLOSURE

Legislation requires closure and post-closure care of solid waste landfill sites. Closure care includes final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post-closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

	2006	2005
Estimated closure and post-closure costs over next 40 years	**34,670**	27,410
Discount rate	**5.00%**	4.71%
Discounted cost	**22,292**	17,629
Expected year(s) capacity will be reached	**2009-2010**	2009-2010
Capacity (tonnes):		
Used to date	**9,600,000**	9,300,000
Remaining	**900,000**	1,200,000
Total	**10,500,000**	10,500,000
Percent utilized	**91.43%**	88.57%
Liability based on the percentage utilized	**20,381**	15,614

The liability recognized in the financial statements is subject to measurement uncertainty. The recognized amounts are based on the City's best information and judgment. Amounts could change by more than a material amount in the long-term.

8. COMMITMENTS

The City is committed to the following payments over the next five years under operating leases and service agreements:

2007	**202**
2008	**172**
2009	**134**
2010	**116**
2011	**123**
	747

9. PROPERTY HELD FOR RESALE

Property acquired through the tax enforcement process and held for sale is recorded at the lesser of cost and the net recoverable amount. Cost is equal to the outstanding taxes including any applicable penalties, as well as the costs incurred in acquiring the land. The valuation allowance reflects a potential reduction in the carrying value that may be realized upon sale.

	2006	2005
Property held for resale	**1,263**	1,829
Valuation allowance	**(996)**	(1,559)
Property held for resale, net of allowance	**267**	270

Land acquired other than through the tax enforcement process and held for sale is recorded at nominal value.

Acquired property held for resale, estimated fair value	**6,485**	8,040

10. NET ASSETS (LIABILITIES)

Net assets (liabilities) represent the equity (accumulated deficit) of an organization. In determining net assets (liabilities) revenues and expenditures are recognized as they are earned and incurred, according to generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

Council through its annual budget process and other policies and bylaws may fund certain amounts on a basis that differs from the expenditure recognition basis prescribed by PSAB.

Unappropriated net assets (liabilities) represent equity relating to certain entities consolidated within the City's financial statements that have not been designated for a specific use by that entity.

Appropriations for capital projects and reserves represent amounts that have been internally restricted for specific purposes.

Obligations to be paid from future revenues represent amounts that have been recognized as expenditures according to generally accepted accounting principles, that will be funded from future revenues.

Infrastructure to be funded from future development charges represent infrastructure that has been constructed by the City, the costs of which are expected to be funded form future development. charges.

	2006	2005
Unappropriated net assets:		
Regina Downtown Business Improvement District	**117**	100
Regina Regional Economic Development Authority	**208**	192
Regina Public Library	**47**	236
Regina's Old Warehouse Business Improvement District	**24**	34
Regina Pioneer Village Ltd.	**6,248**	6,812
Appropriated net assets:		
General capital projects	**37,273**	38,974
Utility capital projects	**12,613**	15,745
Reserves (Note 11)	**57,806**	42,099
Infrastructure to be funded from future development charges:		
Roadways	**(2,850)**	(1,175)
Water, wastewater and drainage	**(975)**	(2,167)
Obligations to be funded from future revenues:		
Long-term debt (Note 5)	**(45,600)**	(55,900)
Employee benefit obligations (Note 6)	**(31,756)**	(36,201)
Landfill closure and post-closure liability (Note 7)	**(20,381)**	(15,614)
Capital lease obligations (Note 4)	**(2,400)**	(2,124)
Net assets (liabilities)	**10,374**	(8,989)

11. RESERVES

	2006	2005
City of Regina reserves:		
General fund reserve	**18,687**	10,380
Landfill reserve	**10,258**	9,339
General utility reserve	**9,931**	5,141
Winter road maintenance reserve	**1,714**	1,427
Asphalt reserve	**773**	647
Regina Police Service general reserve	**725**	95
Social development reserve	**677**	948
Golf course reserve	**503**	210
Employer provided parking reserve	**431**	360
Technology reserve	**367**	503
Cemetery reserve	**274**	315
Equipment replacement reserve	**234**	963
Transit equipment replacement reserve	**153**	133
Regina Police Service radio equipment reserve	**119**	96
Grants reserve	**27**	83
	44,873	30,640
Group Benefits reserves:		
Group life insurance reserve	**5,932**	5,650
Dental benefits reserve	**549**	681
Police pension deficit reserve	**213**	178
Police long-term disability reserve	**136**	173
	6,830	6,682
Other Entities' reserves:		
Regina Public Library reserves	**4,789**	3,639
Buffalo Pound Water Administration Board capital replacement reserve	**960**	835
Regina Downtown Business Improvement District reserve	**288**	237
Regina's Old Warehouse District infrastructure reserve	**66**	66
	6,103	4,777
	57,806	42,099

12. TAXATION REVENUE

	2006	2005
Total taxation revenue levied	**239,248**	222,078
Taxes collected on behalf of others:		
Regina School Division No. 4	**(76,026)**	(67,916)
Regina Roman Catholic Separate School Division No. 81	**(34,183)**	(29,920)
Taxation revenue	**129,039**	124,242
City of Regina		
Municipal levies	**105,640**	101,672
Grants in lieu	**7,550**	7,805
Supplementary taxes	**840**	874
Other	**1,926**	1,603
	115,956	111,954
Regina Public Library		
Taxation levies	**11,644**	10,759
Grants in lieu	**818**	817
	12,462	11,576
Regina Downtown Business Improvement District levies	**493**	584
Regina's Old Warehouse Business Improvement District levies	**128**	128
	129,039	124,242

Taxation revenues are recorded net of an allowance for uncollectible outstanding taxes and a provision for potential losses on assessment appeals outstanding. As at December 31, the following amounts are reflected in the Statement of Financial Position for these provisions:

Allowance for doubtful outstanding taxes netted against taxes receivable	**1,292**	1,365
Provision for assessment appeals included in accounts payable	**7,001**	7,270

13. GOVERNMENT TRANSFERS

	2006	2005
Operating transfers		
Federal	**895**	833
Provincial	**19,553**	14,818
	20,448	15,651
Capital transfers		
Federal	**5,296**	3,006
Provincial	**6,994**	1,027
	12,290	4,033
	32,738	19,684

Government transfers do not include grants in lieu of taxes received from the federal and provincial governments. These amounts are included with taxation revenue (See Note 12).

14. RELATED PARTY TRANSACTIONS

	2006	2005
Accounts receivable (accounts payable) include the following amounts due (to) from:		
The Regina Civic Employees' Superannuation and Benefit Plan	**(350)**	272
The Regina Civic Employees' Long-Term Disability Plan	**214**	81
Perpetual Care Trust and Williamson Driver Award	**145**	162
The Regina Police Pension Plan	**249**	222
	258	737
Revenues include the following amounts charged to:		
The Regina Civic Employees' Superannuation and Benefit Plan	**197**	191
The Regina Police Pension Plan	**57**	42
Perpetual Care Trust and Williamson Driver Award	**145**	162
The Regina Civic Employees' Long Term Disability Plan	**8**	3
The Chief of Police Pension Plan	**3**	1
	410	399
Expenditures include the following amounts paid to:		
The Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan	**14**	17

15. GOVERNMENT PARTNERSHIP

The Buffalo Pound Water Administration Board operates under an agreement between the Cities of Moose Jaw and Regina. Its purpose is to operate the water treatment plant at Buffalo Pound Lake and to supply water to the two cities at cost. Any distribution (recovery) of annual operating surplus (deficit) is shared between the cities according to their respective usage.

The following is a schedule of relevant financial information as stated within the financial statements of the

Buffalo Pound Water Administration Board for the year ended December 31, 2006 in thousands of dollars. These amounts represent 100% of the Board's financial position and activities:

	2006	2005
Financial assets	**2,841**	2,458
Capital assets	**73,965**	73,560
Other non-financial assets	**101**	48
Total assets	**76,907**	76,066
Financial liabilities	**1,930**	1,662
Capital replacement reserve	**1,308**	1,138
Obligations to be funded from future revenues	**(296)**	(294)
Investment in capital assets	**73,965**	73,560
Total liabilities and equity	**76,907**	76,066
Revenue	**7,597**	7,031
Expenditures	**7,430**	6,984
Net income	**167**	47

The above amounts are proportionately consolidated within the consolidated financial statements at 73.42% (2005 – 73.36%), the City's interest in the government business partnership. After excluding capital assets to be consistent with the City of Regina's accounting policies and eliminating transactions between the City and the partnership, the following amounts have been included in the consolidated statements:

	2006	2005
Financial assets	**1,764**	1,485
Financial liabilities	**(537)**	(492)
Non-financial assets	**74**	35
Net assets	**1,301**	1,028
Revenue	**938**	856
Expenditures	**4,540**	4,324

16. OPERATING EXPENDITURES BY OBJECT

	2006	2005
Wages and benefits	**147,475**	143,390
Capital expenditures	**53,053**	44,707
Materials, supplies and other goods	**43,301**	36,489
Contracted and general services	**22,851**	22,739
Utilities	**10,617**	10,700
Transfer payments	**4,879**	4,825
Interest	**2,707**	3,252
Total	**284,883**	266,102

17. FUNDS HELD IN TRUST

The City of Regina administers the following trusts. As related assets are not owned by the City, the trusts have been excluded from the consolidated financial statements. Following is a summary of the net assets of the trusts:

	2006	2005
Perpetual Care Trust	**2,558**	2,554
Williamson Driver Award	**5**	5

18. COMPARATIVE FIGURES

Certain 2005 figures have been reclassified to conform to the 2006 financial statement presentation.

FINANCIAL ACTIVITIES BY ORGANIZATION

Schedule 1

(in thousands of dollars)

For the year ended December 31, 2006

	General operating	Utility operating	General capital	Utility capital	**Total City of Regina**
REVENUE					
Taxation	116,164	-	-	-	**116,164**
Fees and charges	27,410	58,188	18	-	**85,616**
Government transfers	18,803	-	10,503	1,787	**31,093**
Electrical distribution	23,904	-	-	-	**23,904**
Licenses, fines and levies	8,244	-	480	-	**8,724**
Gas distribution	8,710	-	-	-	**8,710**
Interest and penalties	5,751	302	-	-	**6,053**
Development charges	-	-	2,713	1,257	**3,970**
Land sales	3,257	-	-	-	**3,257**
Other	7,690	-	734	44	**8,468**
	219,933	58,490	14,448	3,088	**295,959**
EXPENDITURES					
Parks, recreation and community services	28,168	-	4,360	-	**32,528**
Police	45,998	-	660	-	**46,658**
Legislative and administrative services	31,844	-	12,627	-	**44,471**
Water, wastewater and drainage	-	36,666	-	10,151	**46,817**
Roads and traffic	19,203	-	17,440	-	**36,643**
Fire	25,614	-	2,031	-	**27,645**
Transit	19,941	-	1,587	-	**21,528**
Waste collection and disposal	9,362	-	3,432	-	**12,794**
Grants	4,706	-	-	-	**4,706**
Planning and development	3,716	-	-	-	**3,716**
	188,552	36,666	42,137	10,151	**277,506**
Excess of (expenditures over revenues) revenues over expenditures	31,381	21,824	(27,689)	(7,063)	**18,453**
(Decrease) increase in non-financial assets	228	-	-	-	**228**
Increase (decrease) in net assets	31,609	21,824	(27,689)	(7,063)	**18,681**

See accompanying notes to consolidated financial statements.

Regina Pioneer Village	Regina Downtown	RREDA	Buffalo Pound	Regina Public Library	Regina's Old Warehouse District	Consolidation adjustments	**Consolidated 2006**
-	493	-	-	12,462	128	(208)	**129,039**
-	53	183	5,520	420	17	(5,589)	**86,220**
-	-	609	-	1,570	-	(534)	**32,738**
-	-	-	-	-	-	-	**23,904**
-	-	-	-	-	-	-	**8,724**
-	-	-	-	-	-	-	**8,710**
-	-	15	58	243	-	-	**6,369**
-	-	-	-	-	-	-	**3,970**
-	-	-	-	-	-	-	**3,257**
-	-	-	1	-	-	(7,421)	**1,048**
-	546	807	5,579	14,695	145	(13,752)	**303,979**
564	478	792	-	13,646	155	(1,100)	**47,063**
-	-	-	-	-	-	-	**46,658**
-	-	-	-	-	-	(71)	**44,400**
-	-	-	5,494	-	-	(12,047)	**40,264**
-	-	-	-	-	-	-	**36,643**
-	-	-	-	-	-	-	**27,645**
-	-	-	-	-	-	-	**21,528**
-	-	-	-	-	-	-	**12,794**
-	-	-	-	-	-	(534)	**4,172**
-	-	-	-	-	-	-	**3,716**
564	478	792	5,494	13,646	155	(13,752)	**284,883**
(564)	68	15	85	1,049	(10)	-	**19,096**
-	-	-	39	-	-	-	**267**
(564)	68	15	124	1,049	(10)	-	**19,363**

CHANGE IN COMPONENTS OF NET ASSETS

Schedule 2

(in thousands of dollars)

For the year ended December 31, 2006

	Unrestricted	Capital projects	Reserves	Infrastructure to be funded from future development charges	Obligations to be paid from future revenues	TOTAL
OPENING BALANCE	7,374	54,719	42,099	(3,342)	(109,839)	**(8,989)**
Change in net assets	54,115	(34,752)				19,363
Funding transfers:						
To reserves	(29,259)		29,259			
To capital projects	(14,505)	14,505				
From reserves to capital projects		13,552	(13,552)			
Changes in amounts to be funded in the future:						
Decrease in unfunded employee benefit obligations	(4,445)				4,445	
Increase in unfunded landfill liability	3,387	1,379			(4,766)	
Infrastructure costs in excess of development charges revenue		483		(483)		
Repayment of long-term debt	(10,300)				10,300	
Net increase in capitalized lease obligation	277				(277)	
NET CHANGE	(730)	(4,833)	15,707	(483)	9,702	**19,363**
ENDING BALANCE	6,644	49,886	57,806	(3,825)	(100,137)	**10,374**

See accompanying notes to consolidated financial statements.

Introduction

Deloitte

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Auditors' Report

To: His Worship the Mayor and Members of City Council

We have audited the statement of financial position of the General Trust Fund as at December 31, 2006 and the statement of revenue, expenditures and change in fund balance for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the General Trust Fund as at December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
May 18, 2007

Member of
Deloitte Touche Tohmatsu

General Trust Fund

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

As at December 31, 2006

	Perpetual Care Trust	Williamson Driver Award	**Total 2006**	Total 2005
ASSETS				
Cash	3	-	**3**	11
Long-term investments (note 4)	2,700	5	**2,705**	2,710
	2,703	5	**2,708**	2,721
LIABILITIES AND FUND BALANCE				
Due to the City of Regina	145	-	**145**	162
Fund balance	2,558	5	**2,563**	2,559
	2,703	5	**2,708**	2,721

See accompanying notes.

General Trust Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE

(in thousands of dollars)

For the year ended December 31, 2006

	Perpetual Care Trust	Williamson Driver Award	Total 2006	Total 2005
Revenue				
Contributions	4		**4**	4
Investment income	145	-	**145**	163
	149	-	**149**	167
Expenditures				
Cemetery maintenance	145		**145**	163
	145	-	**145**	163
Excess of revenue over expenditures	4	-	**4**	4
Fund balance, beginning of year	2,554	5	**2,559**	2,555
Fund balance, end of year	2,558	5	**2,563**	2,559

See accompanying notes.

December 31, 2006

1. PURPOSE OF FUND

The General Trust Fund contains the assets, liabilities, revenues and expenses of the following two trusts administered by the City of Regina:

(a) Perpetual Care Trust - In accordance with *The Cemeteries Act, 1999*, a portion of the monies received by the City of Regina from the sale of cemetery plot rights is put into a trust and invested. The income of the trust is used to pay for care and maintenance of the plots and special approval is needed from the Registrar of Cemeteries before trust capital can be used to fund care and maintenance.

(b) Williamson Driver Award - When a bond was bequeathed to the City of Regina with trust conditions attached a trust was established under *The Trust Act*. Each year the income from the bond is used to provide a safe-driving award to a Regina Transit employee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant.

(a) The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(b) Investments are recorded at cost and any gains or losses on the investments are recognized on disposition of the investments.

(c) Investment revenue is recorded on the accrual basis.

3. FINANCIAL INSTRUMENTS

The carrying value of the amount due to the City of Regina approximates fair value due to its short-term nature.

Long-term investments are primarily exposed to foreign currency, interest rate, and market risk.

Interest rate risk refers to the adverse consequences of interest rate changes on the General Trust Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the General Trust Fund's assets and liabilities.

Foreign currency risk arises from holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments.

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

December 31, 2006

4. LONG-TERM INVESTMENTS

The long-term investments consist of a pooled bond fund. A pooled bond fund is a group of individual bonds managed by an investment manager. The market value of the pooled bond fund units is based on the market price per unit which is determined by the overall market values of each of the bonds in the fund.

	2006	2005
Investment cost	**2,705**	2,710
Market value	**2,707**	2,751

5. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared for the year ended December 31, 2006, as it would not provide additional information.

Related Boards and Authorities

Regina Pioneer Village
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Regina, Saskatchewan S4T 6T8
Fax: (306) 757-5001
Phone: (306) 751-5225
Contact: Mr. Dick Chinn

Regina Regional Economic Development Authority (RREDA)
255, 1919 Rose Street
Regina, Saskatchewan S4P 3P1
Fax: (306) 352-1630
Phone: (306) 522-0227
Contact: Mr. Larry Hiles

Buffalo Pound Water Administration Board
c/o City of Regina
Queen Elizabeth II Court
P.O. Box 1790
Regina, Saskatchewan S4P 3C8
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Phone: (306) 777-7411
Contact: Mr. David Calam

Regina Downtown
1950 – 12th Avenue
Regina, Saskatchewan S4P 4K6
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Phone: (306) 359-7541
Contact: Ms. Tracy Fahlman

Regina Public Library
2311 – 12th Avenue
P.O. Box 2311
Regina, Saskatchewan S4P 3Z5
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Phone: (306) 777-6060
Contact: Ms. Colleen Schommer

Regina's Old Warehouse Business Improvement District
Stn Main P.O. Box 942
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Phone: (306) 585-3948
Contact: Mr. Bruce Anderson